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14 SEP 1956

TO: Deputy Director (Support)

SUBJECT: CIA Credit Union

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1. **PROBLEM**

To explore the possibilities and advantages of establishing an independent Credit Union for Agency personnel.

2. **FACTS BEARING ON THE PROBLEM**

- a. Title 26, Chapter 5 of the District of Columbia Code (District of Columbia Credit Unions Act) governs the manner in which organizations may transact business in the District of Columbia as a credit union, and sets forth the requirements which such organizations must fulfill. A fine of \$100 is imposed for each day a violation exists.
- b. Parallel Federal authority permits the establishment of a credit union under the provisions of the Federal Credit Unions Act, administered by the Department of Health, Education, and Welfare.
- c. The essential features of both Acts are substantially similar. (Tab A) Both Acts authorize Boards of Directors to establish interest rates, subject to specified statutory limitations.

3. **DISCUSSION**

- a. By virtue of the provisions of the District of Columbia Credit Unions Act, persons wishing to organize for the purpose of conducting business as a credit union in the District of Columbia must comply with the provisions of that Act unless the credit union is organized under the Federal Credit Unions Act. No way has been found to organize a credit union to operate as such except under these two statutes. Both Acts contain extensive reporting requirements and place the credit union in a position of being generally controlled and supervised by an external governing body.
- b. Since the District of Columbia Credit Unions Act and the Federal Credit Unions Act are substantially similar in major aspects, i.e., method of organization, degree of supervision and control, reporting requirements, and method of operation, no advantages or additional benefits can be obtained merely by converting the Northwest Federal Credit Union, organized under the Federal authority, to a credit union organized under the District of Columbia authority.

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- c. In fact, certain problems are immediately presented by a conversion. For example, it would be necessary to completely dissolve the Northwest Federal Credit Union and to apply for a new charter in the manner prescribed by the District of Columbia Code. All of the steps taken to organize the Northwest Federal Credit Union would have to be duplicated. In addition to the normal efforts that need to be taken, new arrangements would have to be made to establish secure contacts and channels with appropriate District of Columbia authorities in the same fashion as have been established with the Department of Health, Education, and Welfare. Moreover, while all present contact has been with one office in the Department of Health, Education, and Welfare, association (with appropriate clearances) will be necessary with several agencies of the District of Columbia since the responsibility for credit unions is not as centralized as under the Federal Credit Unions Act.

4. CONCLUSIONS

- a. It would be contrary to the provisions of applicable law to organize a credit union within CIA completely free of control and supervision by external authorities.
- b. The only substitute for the Northwest Federal Credit Union would be a credit union organized under the District of Columbia Credit Unions Act.
- c. Since the District of Columbia Credit Unions Act is substantially similar to the Federal Credit Unions Act, no advantage would accrue to CIA employees by substituting a credit union organized under District of Columbia law for the Northwest Federal Credit Union.

5. RECOMMENDATION

It is recommended that the Northwest Federal Credit Union be continued under the Federal Credit Unions Act.

Harrison G. Reynolds
Director of Personnel

The recommendation in paragraph 5 is approved.

(signed) **H. Gates Lloyd**

SEP 17 1956

H. GATES LLOYD

Acting Deputy Director
(Support)

Date

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